

Before the  
**FEDERAL COMMUNICATIONS COMMISSION**  
Washington, DC 20554

**RECEIVED**  
MAY 25 2001

In the Matter of )

Federal-State Joint Board on Universal Service )

Petition for Reconsideration filed by AT&T )

FEDERAL COMMUNICATIONS COMMISSION  
OFFICE OF THE SECRETARY

CC Docket No. 96-45

**WORLDCOM COMMENTS**

WorldCom, Inc. (WorldCom) hereby submits its comments on the Petition for Reconsideration filed by the United States Telecom Association (USTA) in the above-captioned proceeding. USTA requests that the Commission reconsider two aspects of the USF Lag Order:<sup>1</sup> (1) the requirement that carriers report their revenues to the Commission five times per year; and (2) the USF Lag Order's "penalty" provisions.

While WorldCom agrees with USTA that the revised universal service contribution methodology will impose additional reporting burdens on carriers, USTA is incorrect when it suggests that the revised methodology "serves no purpose or interest."<sup>2</sup> As the Commission explains in the USF Lag Order, the revised methodology will "further the Commission's goal of maintaining competitive neutrality."<sup>3</sup> Even if the old methodology was arguably competitively neutral at the time that it was adopted, the

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<sup>1</sup>Federal-State Joint Board on Universal Service, Report and Order and Order on Reconsideration, CC Docket No. 96-45, released March 14, 2001 (USF Lag Order).

<sup>2</sup>USTA Petition at 3.

<sup>3</sup>USF Lag Order at ¶ 9.

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revised methodology ensures that the universal service support mechanism continues to operate in a competitively neutral manner.<sup>4</sup> Notably, USTA does not dispute the Commission's finding that the revised methodology will ensure that competitive neutrality is maintained as the RBOCs and other new carriers enter the marketplace.<sup>5</sup>

There is no merit to USTA's argument that Section 11 of the Act prevents the Commission from adopting a significant enhancement to the universal service contribution methodology. Section 11 does not in any way limit the Commission's authority to adopt rules implementing Section 254 or any other provision of the Act. Section 11 requires only that the Commission review regulations in effect at the time of the review to determine if they are no longer necessary in the public interest.<sup>6</sup>

With respect to the "trueup" provisions of the USF Lag Order, USTA correctly points out that these provisions could operate in a punitive manner.<sup>7</sup> The effect of the trueup provision on carriers could be particularly severe in a year in which the average of the two highest or two lowest contribution factors differs substantially from the average of all four contribution factors. Under these circumstances, it is likely that carriers that make inadvertent errors in their quarterly reports would be required to contribute much

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<sup>4</sup>Id. at 13.

<sup>5</sup>Id.

<sup>6</sup>47 U.S.C. § 161.

<sup>7</sup>USTA Petition at 4.

more than they would have contributed had their quarterly reports been accurate.<sup>8</sup>

Contribution factors have in the past varied significantly during the course of a year, and may do so in future years.<sup>9</sup>

The Commission should modify the USF Lag Order's trueup mechanism to eliminate the potential for punitive impacts on carriers that make inadvertent reporting errors. As USTA discusses, the risk of such inadvertent reporting errors is heightened by the very short (30-day) reporting interval adopted in the USF Lag Order. At a minimum, the Commission should give carriers the option of correcting individual quarterly filings at the time of their annual report. In the alternative, the Commission should delay the effective date of the trueup provisions in order to allow carriers sufficient time to gain experience with the short reporting cycle adopted in the USF Lag Order.

Respectfully submitted,  
WORLDCOM, INC.



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May 25, 2001

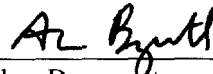
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<sup>8</sup>Suppose that a systematic error causes a carrier to over-report in all four quarters. Because this carrier's "refund" would be based on the average of the two-lowest contribution factors, the carrier's net contribution for the year would be much larger than necessary in any year in which the average of the two lowest contribution factors was significantly lower than the average of all four contribution factors.

<sup>9</sup>For example, the Commission is considering, in CC Docket No. 96-45, proposals that would shift an additional \$500-\$700 million from rural carrier access charges to the universal service fund, potentially resulting in a mid-year increase in the contribution factor of up to one full percentage point.

STATEMENT OF VERIFICATION

I have read the foregoing, and to the best of my knowledge, information, and belief there is good ground to support it, and that it is not interposed for delay. I verify under penalty of perjury that the foregoing is true and correct. Executed on May 25, 2001.

A handwritten signature in black ink, appearing to read "Alan Buzacott", is written over a horizontal line.

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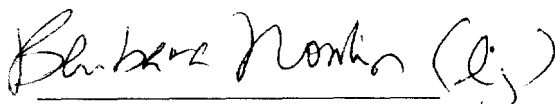
## CERTIFICATE OF SERVICE

I, Barbara Nowlin, do hereby certify that copies of the foregoing Comments were sent via first class mail, postage paid, to the following on this 25<sup>th</sup> Day of May, 2001.

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A handwritten signature in cursive script, appearing to read "Barbara Nowlin (Lj)", is written over a horizontal line.

Barbara Nowlin